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SUBJECT: Ambassador Pays Initial Call on Prime Minister Bayar

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11. (SBU) SUMMARY: During the Ambassador's initial official courtesy call January 4 on Prime Minister Bayar, Bayar said he hoped to make already excellent U.S.-Mongolian relations even better. He reiterated President Enkhbayar's invitation to President Bush to visit Mongolia, and he reconfirmed Mongolia's commitment to send a full 9th rotation of troops to Iraq. Bayar also expressed his intentions to facilitate the speedy implementation of the Millennium Challenge Account Compact and the Ambassador encouraged prompt ratification of the Compact, passage of a cabinet resolution forming MCA-Mongolia, and the early signing of procurement and fiscal agent contracts. The Ambassador noted upcoming policy and trade talks set for early February and the PM sought amplification of USTR's transparency agreement proposal. The PM noted the "One Laptop Per Child" program was moving forward. The Ambassador described USG plans to provide technical advice on Mongolia's energy system as well as to provide in March an energy crisis related emergency preparedness exercise. END SUMMARY.

12. (SBU) The DCM and Acting E/P Chief (notetaker) also attended the very cordial 40-minute January 4 meeting, along with Mr. Jambaldorj, the PM's newly appointed Foreign Policy Advisor (previously Ministry of Foreign Affairs (MFA) Director General for Americas, Middle East and Africa Affairs Bureau and a former DCM at the Mongolian Embassy in Washington), Mr. Batbaatar, the PM's Spokesman, MFA Acting Director General for Americas, Middle East and Africa Affairs Mounkhou and MFA Americas Desk Officer Chinuukhei.

PM's Goal: Make Excellent
Bilateral Relations Even Better

13. (SBU) The Ambassador congratulated Prime Minister Bayar on conveyed to him a congratulatory letter from President Bush (ref A). Bayar responded that 2007, the 20th anniversary of US-Mongolia diplomatic relations, had been a very successful one for bilateral affairs and he was glad to be Prime Minister during such a high

point in our relations. He assured the Ambassador that he would work hard to continue the momentum that had been gained over the past year. President Enkhbayar's successful visit to the U.S. in October was just one achievement in a year full of events designed show how close our two countries had become. Bayar hoped President Bush would accept President Enkhbayar's invitation to visit Mongolia around the time of the Beijing Olympics. The PM said that political relations between our two countries were now excellent and that it was time to emphasizing the economic and trade relations. The Ambassador said he fully concurred with Bayar's assessment of bilateral relations.

9th Rotation

14. (SBU) Bayar also reconfirmed to the Ambassador the GOM's decision to send a full 9th rotation of troops to Iraq, noting it had been formally conveyed by the Vice Foreign Minister the previous day (ref B). The Ambassador said everyone from President Bush on down, (including the Secretaries of Defense and State and Congress) were grateful for this obviously difficult decision. He remarked that even members of the U.S. Congress who were critical of U.S. policy in Iraq thanked President Enkhbayar for Mongolia's support when he visited Washington in October.

MCA Compact Implementation

15. (SBU) PM Bayar said that one of his administration's priorities over the next few months would be taking the necessary steps to implement the Millennium Challenge Account (MCA) compact. He

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expressed gratitude to the US for the generous grant of \$285 million and understood that the GOM needed to work in a timely manner to ensure proper implementation. He noted that after the Compact's recent submission to Parliament there was lively, opinionated debate regarding the agreement, and said such was to be expected from democracy like Mongolia (Note: MCC was favorably reported out of Parliament's Foreign Affairs and Security Standing Committee later that morning and will be taken up during a plenary session next week for ratification.) He nevertheless assured the Ambassador that they would do their home work to get the MCA Compact implemented.

16. (SBU) The Ambassador stressed the need to move quickly on implementing the MCA Compact to get money flowing and necessary goods procured and hoped that either the PM or the Minister of Finance would sign the Procurement Agent Agreement and the Fiscal Agent Agreement as first steps even before the MCA Mongolia Board was officially formed and a CEO selected. The Ambassador then pointed to a meeting he had earlier in the day in which Minister of Roads Transportation and Tourism reiterated the rail road's immediate need for five locomotives (under the MCC agreement) as a good example of why it was important to move quickly.

Transparency Agreement

17. (SBU) The Ambassador said the MCC represented a high watermark in bilateral relations but that the two countries now needed to more fully develop commercial and economic relations, particularly in the area of mining. He noted that annual TIFA talks were scheduled to take place in Washington D.C. in February and encouraged the GOM to give serious consideration to the Transparency Agreement (TA) proposal to negotiate one element of an FTA offered by USTR after last year's TIFA and as discussed at The White House Summit between Presidents on October 22, 2007. Such a proposal was unique and had never been made before by USTR. This piqued Bayar's interest and he asked the Ambassador to expand. The Ambassador said that despite repeated calls from the GOM for a Free Trade Agreement (FTA) with the U.S., an FTA was not a possibility now and the best way forward in our economic relationship would be to build towards one incrementally. A Transparency Agreement, which is a component of all FTAs, was achievable and would lay the groundwork that the

incoming US administration could pick up on. A Transparency Agreement would help garner support for Mongolia's goal of an FTA in the U.S. Congress, and the growth of our trade relationship would create support for an FTA within the US business community that would be needed before any talk of an FTA could begin. The Ambassador spoke from his own experiences in Korea, where the announcement of FTA negotiations followed years of preparatory work between governments. PM Bayar agreed that an incremental approach was wise and said he would discuss the matter further with the Minister of Industry and Trade.

OLPC

18. (SBU) PM Bayar mentioned the One Laptop Per Child (OLPC) program, which was set to debut in Mongolia in January with the distribution of one thousand laptops to schools in Ulaanbaatar's outskirts. Part of the donated laptops would come from President Enkhbayar's office and part from the Prime Minister's office. The Ambassador said the Embassy was happy to hear about the start of the OLPC program and, while it was a private project, the Embassy would do what it could to support the program, including seeing what role, if any, USAID or the Peace Corps could play.

Consulting on Energy; Apprised of
March Emergency Preparedness Exercise

19. (SBU) Finally, the Ambassador mentioned that he and the USAID rep

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planned to meet with Minister of Fuel and Energy Khurelbaatar soon to discuss with him, at his request, the possibilities of enlisting USAID- funded consultants to advise on power plant and pollution issues. The Ambassador also informed the PM of the emergency preparedness exercise slated for March, which is being organized by the Asia Pacific Center for Strategic Studies, working closely with Mongolia's National Emergency Management Agency. The crisis scenario involves the catastrophic failure of one of Ulaanbaatar's power plants in the dead of winter. He sought the PM's cooperation and support implementing this important joint project.

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